California and Its Regions Investing Together for Positive Growth

As we all know, California is projected to experience dramatic increases in population over the next few decades. These millions of new residents will require the construction of additional housing units in virtually all parts of the state, but particularly in urban areas. The recent passage of infrastructure bonds gives the California Legislature a unique opportunity to reward and facilitate the type of development that will help to create a better future in terms of quality of life and the protection of the natural environment.

Shared Objectives

Through recent legislation, the state has put forth a number of objectives for growth and development in the 21st Century.[1] Over the last five years, California's regions, through a variety of visioning and planning exercises — often referred to as regional "blueprints"— have also expressed some common preferences for future development. Together, the state and its regions want to achieve:

- The efficient use of transportation facilities and other infrastructure;
- The provision of more affordable housing choices;
- The revitalization of older neighborhoods, towns, and cities;
- The retention of agricultural land, sensitive habitats, and open space;
- The protection of the environment and the conservation of natural resources, including energy and water;
- The attainment of a high quality of life, shared among all segments of the population.

The San Francisco Bay Area's Smart Growth Vision

The Bay Area's regional agencies have been working for almost seven years to find a way to grow in a smarter direction, consistent with the objectives outlined above. This paper provides some historical context to that effort as well as recommendations for how the Legislature can best leverage the funding provided by the infrastructure bonds to reward and encourage the type of development that will use land more efficiently and encourage greater use of public transportation and other alternatives to driving.

In 2000, the Metropolitan Transportation Commission embarked on its first region wide smart growth visioning effort in partnership with four other regional agencies and the Bay Area Alliance for Sustainable Development (a coalition of 40 organizations representing business, the environment, social equity and government) nonprofit organization).[1] As part of this effort — which can be considered the region's first smart growth "blueprint" — more than 2,000 residents from throughout the region attended workshops held in each of the nine counties to help conceptualize how future growth should occur in their own neighborhoods and the region as a whole. The extensive two-year effort culminated in a *Smart Growth Strategy/Regional Livability Footprint*, a document that lays out a vision of what a smarter future would look like in each of the nine Bay Area counties and what regulatory and legislative changes are needed to help facilitate a new

[1] The Association of Bay Area Governments, the Bay Area Air Quality Management District, the Bay Conservation and Development Commission and the Regional Water Quality Management District.

direction. This vision is reflected in the official regional growth projections used for the Regional Transportation Plan.

Moving From Vision to Implementation

The Smart Growth Strategy could preserve as much as 66,000 acres of open space by 2020 compared to current development trends, while also reducing average weekday driving by as much as 3.6 million miles in 2020, conserving 150,000 gallons of gasoline a day and reducing daily carbon dioxide emissions (the principal greenhouse gas) by 2.9 million pounds per day.

In order to move from vision to implementation, the region is now working to identify priority development areas and to win commitment from all 110 jurisdictions (including 101 cities and nine counties) to take concrete steps to steer growth into these areas. Another goal is to identify open space and other priority conservation areas deserving of protection from future development. This implementation phase, named *Focusing Our Vision* (*FOCUS* for short), is being led by the Association of Bay Area Governments and overseen by the Joint Policy Committee — made up of representatives of ABAG, MTC and the Air District.

MTC's Smart Growth Policies Have Received National Recognition

In addition to participating in these regional efforts, MTC has supported transit oriented development (TOD) projects since 1996, through our award-winning Transportation for Livable Communities Program and Housing Incentive Program. Through 2009, these programs will invest some $174 million for both planning and capital improvement projects designed to promote TOD. In 2002, the TLC program received awards from the American Metropolitan Planning Organization, the American Lung Association, and the American Association of State Highway and Transportation Officials, 'Smart Moves: Transportation Strategies for Smart Growth' competition, 2002. Going forward, MTC will spend $27 million annually for these TOD-related grant programs.

Most recently, MTC has taken the bold step of tying discretionary transit funding to smart growth. MTC's landmark TOD Policy, adopted in 2005, conditions transit expansion funds on supportive land use — i.e., adequate housing density — adjacent to the transit facility. The policy affects some $11 billion in transit investments over the next 25 years and was the recipient of a number of awards in 2006, including a Clean Air Award from Breathe California and a Transportation Planning Excellence Award from the Federal Highway Administration/Federal Transit Administration and the American Planning Association.

Infrastructure Bond Investment Principles

To have maximum impact, bond funds should be distributed with reference to the shared objectives mentioned above and with regard to a core set of investment principles:

1. Create an integrated program.
   Propositions 1C and 84 establish a number of accounts to support sustainable communities, transit-oriented development, and infill housing. These are closely related, mutually supportive concepts, and they should be treated as such. The accounts should be administered jointly through a single integrated program to maximize synergy.

2. Respect priorities established by regions.
   California is a state of regions. All of the largest regions have undertaken major regional planning efforts. These efforts share a common direction: all emphasize compact, infill

development aimed at supporting and revitalizing existing communities, maximizing transportation efficiency, and conserving land resources. Where regional planning work has been done, the state should acknowledge and reward that effort by (a) allocating for a specified period of time a set proportion of the available funds to the regions that have done the work and (b) creating a clear and direct connection between the priorities established by the regional planning exercises and the distribution of state incentives.

3. Reward inclusive and collaborative planning.
   All the regional planning initiatives have been developed through inclusive and collaborative planning processes involving communities and stakeholders. The best local plans are also produced through participatory processes that give all affected parties ownership of the results. The development that the state encourages through incentives is more likely to happen and to be embraced as a positive outcome if it builds upon these collaborative and inclusive efforts.

4. Make big differences.
   In total, the state bonds provide billions of dollars in direct investments and incentives. This can make a big difference or almost no difference at all, depending on how the funds are distributed. If they are spread too thinly, they will result in change only at the margins. Bond money needs to be strategically packaged and distributed so as to assist significant plans and projects achieve their tipping points.

5. Set examples.
   Noticeable successes should be replicable. With limited funds, it will not be possible to support all good projects. Incentives should be directed first at potential trendsetters. State funds can help to reduce the impediments and risks for those first out of the gate, but may not be as necessary for those who are able to learn from these early successes. To the extent possible, funds should be distributed to maximize learning potential for subsequent plans and projects for which incentives may be more limited.

6. Achieve real results.
   Projects and plans should be evaluated first on the basis of short-term, on-the-ground results, such as actual infill housing units added to existing communities.

Role of Regional Agencies

One way to achieve our shared objectives is to administer bond incentives through regional Councils of Government (COGs) and/or regional transportation planning agencies (RTPAs). These agencies develop and implement regional transportation and land-use plans. They are also experienced in making investment decisions for transportation improvement programs, and in at least a few cases (including the Bay Area), already have grants in place consistent with the objectives mentioned above.

In order for the state to assess whether a regional agency may qualify to administer bond incentives, a regional agency must be able to demonstrate it has planning processes in place that are consistent with the shared objectives listed at the beginning of this paper. That demonstration should occur through reference to a body of documented plans, policies, investments and actions. Documentation could include regional transportation plans, regional housing needs allocation methodologies, air quality plans, comprehensive regional plans, regional visions, and regional "blueprints."[2] Implementation efforts consistent with these objectives that can be sufficiently documented should be given equal consideration with paper plans.

Regional Investment Programs
Regions shall prepare periodic investment programs, identifying the projects and areas to receive infill incentive investments during that period and the amount of each investment. Regular reports shall detail progress on investment programs and the contribution of those programs to documented regional objectives.

Project-Level Criteria
Projects shall be selected for inclusion in an investment program on a competitive basis. In order to qualify for incentive funding, a project must at minimum:

1. Be consistent with documented regional planning objectives and priorities;
2. Be in an infill area (surrounded by existing development and serviced by existing infrastructure, including roads, transit, sewer and water);
3. Be in a location that provides opportunities either through proximity to jobs and services or through transit access to reduce the necessity for lengthy automobile travel;
4. Meet minimum density and affordability requirements as established by the state;
5. Have sufficient entitlements and project financing in place so that construction is underway or can commence upon the receipt of incentive funding and so that construction can be completed within a reasonable time frame.

Overall Regional Performance Metrics
Regions shall identify a set of metrics through which they will track overall regional progress toward the shared objectives and other regional priorities. These metrics will be reported at least every four years coincident with the update of the regional transportation plan. Measurement will enable all levels of government to evaluate the impact of investment decisions and policies and thereby facilitate ongoing adjustments to better achieve the shared objectives.

The use of metrics to monitor progress shall not be confused with a mandate to meet predetermined standards or targets. Public policy can influence, but not control, the millions of individual

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[2] In the Bay Area, the body of relevant documentation may include:

- *The Smart Growth Strategy / Regional Livability Footprint Project* and its "Network of Neighborhoods" regional vision;
- *The Smart Growth Preamble and Policies* adopted jointly by four regional agencies in 2002;
- *The Compact for Sustainable Communities*
- The Transportation for Livable Communities (TLC) and Housing Incentive Program (HIP) initiatives;
- The smart-growth-policy-based *Projections 2003, 2005, and 2007;*
- The Transportation and Land-Use Platform in the 2005 Regional Transportation Plan, *Transportation 2030*;
- The Resolution 3434 Transit-Oriented Development Policy;
- The 2005 Regional Ozone Strategy;
- The 2007 RHNA methodology;
- The Regional Strategy on Climate Change (pending);
- 2007 *FOCUS* Priority Areas (pending).

decisions that ultimately determine regional outcomes.

By way of example, a few key metrics are suggested below. Many others are possible as well. Simultaneously assessing a variety of measures will help avoid the unintended consequences that can arise from focusing too narrowly on only one or two measures.

<u>Transportation and Infrastructure Efficiency</u>

Share of households and jobs within walking distance (1/2 mile) of transit service, employment concentrations and retail centers;

Vehicle miles traveled per household;

Non-automobile mode split.

<u>Affordable Housing Choices</u>

Housing stock and housing flow by affordability category (e.g., market, moderate-income, low-income, and very-low income);

Shares of housing construction in multi-family and single-family structures

Median home prices and rents.

<u>Community Revitalization</u>

Population, household, employment and income distribution by place type;

Local general-fund revenue by place type.

<u>Land Conservation</u>

Annual consumption of previously undeveloped land by type;

Share of land permanently protected.

<u>Protection of the Environment</u>

Greenhouse gas (CO_2) emissions;

PM and NOX emissions.

<u>Conservation of Natural Resources</u>

Daily resource (water and energy) consumption per household.

<u>Quality of Life/Equity</u>

Access to employment and services for households and communities of concern;

Population subject to chronic local environmental toxins.